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Supreme Court of the United States

October Term, 1952

No. 38

SIDNEY STEELE, ET AL., *Petitioners*

v.

BULOVA WATCH COMPANY, INC., *Respondent*

On Writ of Certiorari to the United States Court of Appeals For the Fifth Circuit.

BRIEF FOR THE RESPONDENT

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BRIEF FOR THE RESPONDENT

OPINIONS BELOW

The opinion of the Court of Appeals for the Fifth Circuit is reported at 194 F. (2d) 567, and appears in the Record at page 389.

The findings of fact, conclusions of law, and judgment of the District Court for the Western District of Texas appear in the Record at pages 247 through 249.[1]

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[1] In this connection, note should be made of the fact that petitioners, in their brief in this case, are in error in stating that the findings of fact appear in the Record at pages 238-240. The material that appears on those pages consists of the draft of findings of fact, as prepared by the petitioners. The Court itself revised the proposed findings, as is shown by the Record at pages 247 through 249.

QUESTION PRESENTED

The sole question presented is whether, under the facts of this case the Court of Appeals correctly concluded that the District Court has jurisdiction over the case at bar.

STATUTES INVOLVED

Jurisdiction of the District Court rests on the diversity of citizenship section of the new Judicial Code, 28 U.S.C. sec. 1332. Jurisdiction may also be based upon the section of the Code conferring jurisdiction on the District Courts in cases under the trade-mark laws of the United States, 28 U.S.C. sec. 1338. The federal trade-mark law relevant to this case is the Lanham Trade-Mark Act of 1946, 60 Stat. 427, 15 U.S.C. secs. 1051, et seq.

In addition to general equitable principles, authority in the District Court to grant injunctive relief to protect registered trade-marks from infringement (as prayed by respondent in this case) is found in Section 34 of the Lanham Act, 60 Stat. 439, 15 U.S.C. sec. 1116. More specifically, the Lanham Act provides that the protection it affords to registered trade-marks includes protection against the use of infringing marks in "commerce" (Sec. 32, 60 Stat. 437, 15 U.S.C. sec. 1114), and "commerce" is defined as "all commerce which may lawfully be regulated by Congress". Sec. 45, 60 Stat. 443, 15 U.S.C. sec. 1127.

The pertinent provisions of these statutes are reproduced in Appendix I hereto.

STATEMENT

On February 21, 1952, the United States Court of Appeals for the Fifth Circuit held that the District Court for the Western District of Texas had committed error in concluding that it did not have jurisdiction over the case at bar. The Court of Appeals accordingly reversed the decision of the District Court, and ordered that there be "further proceedings not inconsistent with this

opinion", 194 F. (2d) 567, 572. (R. 389, 399). On June 2, 1952, this Court granted certiorari. (R. 405).

The background facts of the case can be summarized as follows: This action was brought by respondent, Bulova Watch Company, Inc., a New York corporation, against petitioners, Sidney Steele and his wife, Sofia Steele, citizens of the United States residing in the City of San Antonio, Texas. (R. 1-8). Sidney Steele and Sofia Steele conduct a watch business in Mexico where they assemble watches from parts brought in from the United States and Switzerland. The Steeles then stamp many of these watches with the name "Bulova", and sell them as Bulova watches. (R. 1-8, 106, 108).

Bulova Watch Company, in its complaint in this action, requested that the court restrain the Steeles from using the name "Bulova", and also requested that damages be awarded and that the court grant such other relief as might be just and equitable. (R. 7-8).

Bulova Watch Company, Inc., its predecessors and the Bulova family, have been using the family name "Bulova" to identify their watches since 1875. (R. 41). In 1875 Mr. Joseph Bulova began selling watches under his family name, at his place of business in New York. The Chairman of the Board of the Bulova Watch Company at the present time is Mr. Arde Bulova, the son of the founder of the company. (R. 1-8, 41). Since 1927 the name "Bulova" as applied to watches has been registered under various trade-mark statutes of the United States, including the Lanham Trade-Mark Act of 1946. (R. 3, 60, 61, 62). Bulova Watch Company, Inc., has built up a watch business that makes it one of the leading watch companies of the world. Its yearly sales exceed $50,000,000. (R. 57, 58). It spends many millions of dollars each year in the United States and abroad, including Mexico, to advertise its products and to make its name and reputation known to the public. (R. 46, 47, 49, 50, 70, 71, 72, 73). Such advertising has for many years been broadcast through radio stations and printed

in American publications and magazines with wide circulation in Mexico, including the Spanish language editions of Readers Digest and other publications. (R. 48, 49, 52, 53, 54, 69, 70, 71, 72, 73, 74). The name "Bulova" has been displayed and announced on approximately 300 radio stations, and in a great number of newspapers, periodicals, magazines and car cards, as well as on displays provided by respondent for many thousands of retail stores in the United States and Mexico. (R. 55, 56, 72, 73). Since 1929, respondent has advertised its product in both Spanish and English, from radio stations close to the United States-Mexico border and over Mexican radio stations. (R. 48, 49, 71-73). Great sums of money have been spent on newspaper advertising in towns along the United States-Mexico border, including advertisements in Spanish language newspapers on both sides of the border. (R. 72-74, 76, 77).

Petitioner Steele, called as a witness by the Bulova Watch Company, testified that he started in the watch business in Texas in 1922 (R. 82, 83, 160); that he first learned of the name "Bulova" as applied to watches while employed in the watch business in 1926 (R. 84); that he later engaged in his own watch business, and that he began going into Mexico to engage in the watch business (R. 82, 83); that neither he nor any member of his family was ever named Bulova (R. 88); that in 1933 he searched the records of Mexico and found that the name "Bulova" was not registered in Mexico (R. 86); and that, without any permission from any member of the Bulova family or Bulova Watch Company, Inc., he appropriated and registered the Bulova name in Mexico. (R. 11, 114, 163).[2]

Sidney Steele further testified that since so registering the Bulova trade-mark in Mexico in 1933, he has been buy-

[2] As noted above, Sidney Steele and his wife, Sofia Steele, are and have been citizens of the United States and residents of Texas. Under Texas law, assets acquired by a husband after coverture are owned by the husband and wife as community property.

ing watch cases and dials in the United States, has been buying watch movements in Switzerland, has been shipping these various items to Mexico, and has been assembling watches in Mexico from the parts so obtained, stamping the name "Bulova" on many of these watches and selling them to customers in Mexico under the name of "Bulova". (R. 102, 106, 108).

Bulova Watch Company, Inc., in the normal course of its business, received numerous complaints concerning defective watches which purported to be manufactured by the Bulova Watch Company but which, in fact, were spurious and not so manufactured. (R. 4, 77, 78). Learning of the watch business conducted by Sidney Steele and of the watches sold by him in Mexico under the name of "Bulova", respondent, as has been set out above, brought this action to restrain petitioners from using the name "Bulova" and for damages and other relief as heretofore noted.

The summons and complaint in this action, issued out of the United States District Court for the Western District of Texas, were personally served upon Sidney Steele and his wife in San Antonio, Texas, by the United States Marshal. (R. 1-8, 392).

During trial of this matter by the District Court and before either side had completed its case, the court stated:

> "I have reached the conclusion that this Court does not have jurisdiction of this case, based on the facts that you have already introduced. That being my conclusion, I see no reason for going on with this proceeding." (R. 231).

In accordance with this announcement, the District Court made certain findings of fact and conclusions of law and dismissed the complaint "with prejudice". (R. 247-249).

In connection with these findings of fact and conclusions of law, note should be made of the fact that, in the formal findings of fact, the District Court stated as follows:

> "The defendant Steele procures all watch cases and watch dials used by him in his business in Mexico City from Switzerland except for some watch cases and watch dials which are procured from manufacturers or jobbers in the United States." (R. 247).[3]

In this same connection, note should also be made of the fact that the District Court expressly referred to litigation that was then pending in Mexico, looking to the nullification of Steele's Mexican trade-mark. On this aspect of the case, the District Court entered a finding of fact which reads in part as follows:

> "On December 5, 1933, there was granted . . . Mexican National Trade-mark No. 33602, *purporting to grant* the right to use the name 'Bulova' in the Republic of Mexico as a trade name for watches, and the Defendant Sidney Steele's *asserted right* to use said name is based on said Mexican trade-mark, which trade-mark has been the subject of litigation between the Plaintiff Bulova Watch Company, Inc., . . . in cases before the Mexican Courts in which the Defendant Sidney Steele was a party, and the Plaintiff has not *up to this time* been successful in such litigation." (Emphasis added). (R. 248).[4]

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[3] In his own testimony, in discussing the watches sold by him in Mexico, Steele confirmed the fact that "a majority of them have something of an American make on them". (R. 106).

[4] In this connection, it should be pointed out that only last month, on October 6, 1952, the Supreme Court of Mexico finally decided the issues that were being litigated in Mexico. In its decision, the Supreme Court of Mexico affirmed an administrative ruling that Sidney Steele had acted in bad faith in obtaining the Bulova trade-mark, and the Supreme Court of Mexico therefore affirmed an administrative ruling declaring Sidney Steele's Mexican trade-mark a nullity.

A certified copy of the October 6 decision of the Supreme Court of Mexico, attested by the President of that Court, the Clerk of the Court, and the United States Vice-Consul in Mexico City, has been filed with the Clerk of this Court. In addition to the filing of this certified copy of the opinion in Spanish, a printed translation into English accompanies this brief, as Appendix III.

Further in connection with the findings of fact, note should also be made of the fact that plaintiff in the District Court, respondent herein, submitted proposed findings which were denied. (R. 240). Respondent herein excepted to the findings of fact and the conclusions of law of the District Court. (R. 252-257).

The District Court, in the judgment which it entered in this matter, stated:

> "That all of the alleged acts of unfair competition by the use of the 'Bulova' name . . . were done and performed by the defendant, Sidney Steele, in connection with his business of assembling, marking and selling watches solely in the Republic of Mexico, and, therefore, the subject matter of this suit and the acts of the said Defendant are beyond the jurisdiction and control of the government and the law, both State and Federal, of the United States of America and of this Court." (R. 249).

The District Court went on to rule that "all relief prayed for by plaintiff is hereby denied and this cause is hereby dismissed with prejudice, and all costs herein are adjudged against plaintiff". (R. 249).

Bulova Watch Company appealed this decision to the Court of Appeals for the Fifth Circuit. As already noted above, after reviewing the record in this matter and after hearing argument, the Court of Appeals reversed the District Court. In its opinion, the court said:

> "Unquestionably, the Steeles themselves are within the jurisdiction of the court and subject to its process. Courts have often exercised the power of restraining persons within their jurisdiction from prosecuting suits in other states or foreign countries, or from taking such action there as would be contrary to the law of the forum." 194 F. (2d) 567, 569. (R. 389, 392-393).

And in the same connection the Court also said:

> "It would seem that in the Lanham Trade-Mark Act of 1946, the Congress intended to regulate interstate

and foreign commerce to the full extent of its constitutional powers." 194 F. (2d) 567, 571. (R. 389, 396).

After proceeding to review the precedents bearing on the case, and after reviewing the facts of the case, the Court of Appeals, as noted above, concluded that the District Court was in error in its ruling with respect to jurisdiction.

Based on the foregoing set of facts, the issue that is before this Court is the correctness of the ruling of the Court of Appeals in holding that the District Court has jurisdiction over the case at bar.[5]

SUMMARY OF ARGUMENT

The decision of the Court of Appeals is correct and should be affirmed, both for the reasons advanced by that court, and for the additional reasons discussed in the Argument herein.

In outline, respondent submits (1) that the United States, as a sovereign nation, has jurisdiction in this matter; (2) that the necessary jurisdiction is vested in the District Court; and (3) that such jurisdiction should properly be exercised in this case to grant the relief prayed for. Although the decision of this Court on point (1) above will

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[5] The opinion of the Circuit Court of Appeals was written by Judge Rives, for himself and for Judge Holmes. Judge Russell, who wrote a dissenting opinion, was apparently in agreement with Judges Rives and Holmes in their conclusion that Steele had committed acts of unfair competition. 194 F. (2d) 567, 572. (R. 389, 399). However, Judge Russell felt that he should not "adjudicate the propriety, validity and legal effect of the administrative and judicial determination of a sister Republic". 194 F. (2d) 567, 572. (R. 389, 399). Judge Russell also stated that he believed that the District Court had ruled properly on the issue of jurisdiction, "since the conduct complained of substantially related solely to acts done and trade carried on *under full authority of Mexican law*". (Emphasis added). 194 F. (2d) 567, 573. (R. 389, 401). Much of the reasoning on which Judge Russell based his dissent, therefore, is no longer applicable, in the light of the October 6 decision of the Supreme Court of Mexico. See p. 6, n. 4, above.

technically be sufficient to dispose of the case at this stage, respondent feels that the other two points may be considered to be so directly related to the first that they should be covered also in this brief.

1. The United States, as a sovereign nation, has jurisdiction in this matter. That is to say, the United States as sovereign has power to vest the district courts with jurisdiction to grant the relief prayed for by respondent—namely, injunctive relief and damages on account of the petitioners' acts of unfair competition and trade-mark infringement in pirating respondent's name "Bulova". The fact that many of these acts took place in Mexico, or that the relief sought may require or forbid action by petitioners in Mexico, is immaterial. For hundreds of years, courts of equity have asserted this jurisdiction of the sovereign under one or more of the several circumstances presented by the case at bar.

(a) The most compelling jurisdictional fact is that petitioners were personally before the District Court, which, by decree *in personam*, could grant the relief sought by respondent without impinging upon Mexican sovereignty in any respect. As a minimum, both the negative injunctive relief and the damages sought could clearly be enforced without the necessity of petitioners leaving the United States or of any acts being done in Mexico by petitioners. And even the affirmative relief requested (action by petitioners looking to the cancellation of petitioners' spurious Mexican trademark) could be accomplished without conflict with Mexican law or public policy. Under such circumstances, the sovereign traditionally has the power to restrain or order acts abroad on the part of persons subject to its territorial jurisdiction, based solely on such *in personam* jurisdiction.

Massie v. Watts, 6 Cranch 148 (1810).
New Jersey v. New York, 283 U.S. 473 (1931).
The Salton Sea Cases, 172 F. 792 (C.C.A. 9th, 1909), cert. den., 215 U.S. 603 (1909).

Accordingly, if only for the reason that petitioners here were personally before the District Court, its holding of lack of jurisdiction was erroneous. There are, however, at least three other elements in this case which, whether considered alone or together, would clearly confirm such jurisdiction. (See (b), (c) and (d) below.)

(b) Petitioners are citizens of the United States. Hence their conduct abroad would be subject to the jurisdiction of the United States even were petitioners themselves beyond its borders—which of course, in the case at bar, they are not. *Blackmer* v. *United States*, 284 U. S. 421 (1932). Citizenship thus provides a basis for enjoining acts of unfair competition abroad. See *Branch* v. *Federal Trade Commission*, 141 F. (2d) 31, 35 (C.C.A. 7th, 1944).

(c) Furthermore, petitioners' acts of unfair competition and trade-mark infringement in Mexico have had injurious effects within the United States. Not only does their marketing of spurious "Buleva" watches in Mexico necessarily reduce the quantity that respondent can produce in the United States and export to Mexico, but respondent's long-standing reputation and good will in the name "Bulova" are damaged when these watches are purchased by United States tourists and brought back to this country. Hence petitioners' acts are subject to the well known jurisdiction of the sovereign to attach legal consequences to acts which, although done outside, have effects within, the territory of the sovereign.

Strassheim v. Daily, 221 U.S. 280, 284, 285 (1911).
Thomsen v. Cayser, 243 U.S. 66, 88 (1917).
The Salton Sea Cases, *supra*.
Branch v. Federal Trade Commission, *supra*.

Modern examples of the assertion and exercise of jurisdiction on this basis are found in the Sherman Act

cases, particularly those involving international cartels. E.g., *Timken Roller Bearing Co.* v. *United States*, 341 U.S. 593 (1951); *United States* v. *National Lead Co.*, 332 U.S. 319 (1947).

(d) In addition, petitioners' acts of unfair competition and trade-mark infringement involve activities within the United States—i.e., purchasing in the United States and shipping therefrom unmarked dials and cases to Mexico. Therefore, the United States has jurisdiction to enjoin the unlawful scheme of unfair competition of which these United States activities are a part (see *United States* v. *Univis Lens Co.*, 316 U.S. 241, 254 (1942); *Vacuum Oil Co.* v. *Eagle Oil Co.*, 154 F. 867 (C.C. N.J. 1907), aff'd 162 F. 671 (C.C.A. 3d, 1908), cert. den., 214 U. S. 515 1909).

2. The District Court in this case has been vested by the sovereign, the United States, with the necessary jurisdiction. To be sure, the Court herein need not reach this question since the original judgment below held that the United States, as a sovereign, lacked the power so to vest its courts (R. 249). The reversal of such judgment by the Court of Appeals should, therefore, be affirmed on this ground alone for the reasons summarized above and set forth in Part 1 of the Argument. Nevertheless, respondent feels it is appropriate herein to show that the District Court has in fact been vested with the jurisdiction of the sovereign in this matter in at least two respects:—(a) through the general equity jurisdiction conferred on the district courts in diversity of citizenship cases, and (b) through the specific jurisdiction conferred by the Lanham Trade-Mark Act of 1946 (which, however, is not a necessary prerequisite to the assertion of jurisdiction in the case at bar):

(a) Clearly there is diversity of citizenship in this case, and the cases already cited are bountiful evidence of the fact that equity courts in the United States

are vested with jurisdiction *in personam* to direct or forbid the doing of acts abroad.

(b) Wholly apart from the general equity jurisdiction of the district courts, under the provisions of the Lanham Act the district courts are empowered to grant relief against the use of an infringing mark in commerce abroad which substantially affects the foreign commerce of the United States—the situation in the case at bar.

3. Under the circumstances here presented, the District Court should clearly exercise the jurisdiction so vested in it to grant the relief sought by respondent. Ample precedent for this is indicated in the various equity cases already cited, as well as by the decrees in the above mentioned antitrust cases.[6]

ARGUMENT

At the outset, respondent wants to point out that petitioners' brief does not deal with what respondent regards as the real issues. The District Court merely held that it had no jurisdiction, and contrary to petitioners' assertion, its decision was not based on the assumption that it lacked power to nullify a Mexican trade-mark. Respondent did not seek and does not seek, from the American courts, a decree of nullification. What respondent seeks is to restrain the defendants Steele, the petitioners herein, from unfair competition and from improper use of the respondent's property, the name "Bulova" to require petitioners to obtain cancellation of their fraudulent Mexican registra-

[6] For a case virtually on all fours with the present case, see *Morris* v. *Altstedter*, 93 Misc. 329, 156 N.Y.S. 1103 (1916), aff'd without opinion, 173 A. D. 932, 158 N.Y.S. 1123 (1916). See also *Western Clock Manufacturing Co.* v. *A. C. Smith*, 2 Trade-Mark Reporter 522 (N. Y. Sup. Ct. 1912) (Decree reproduced in Appendix II hereto).

tion of the name "Bulova"; plus the award of damages, and such other and further relief as might be just and equitable.

On the facts of the case as set out above, the District Court ruled that it lacked jurisdiction.[7] Respondent appealed from that decision. The United States Court of Appeals, in its decision below, reversed the District Court and upheld our contention that there is jurisdiction.

The various aspects of this case with respect to jurisdiction can be divided into three subsidiary headings:

The jurisdiction possessed by the United States as a sovereign nation,

The jurisdiction possessed by the District Court for the Western District of Texas, and

Whether or not the District Court should exercise the jurisdiction which it possesses and grant the relief requested.

In connection with these three subsidiary headings, it is submitted that the United States has jurisdiction, that the District Court has jurisdiction, and finally, that the District Court should exercise the jurisdiction which it possesses and should grant the relief requested.

It is important to note that the District Court concluded that both the District Court and the United States as a sovereign nation lacked jurisdiction,[8] and therefore its conclusion that the District Court lacked jurisdiction was presumably given no separate consideration.

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[7] In addition to the substantive grounds of error discussed below, it should be noted that the District Court was clearly in error in dismissing with prejudice (R. 249), since a dismissal "with prejudice" connotes a ruling on the merits, and is obviously inappropriate to a dismissal for lack of jurisdiction.

[8] See the judgment of the District Court (R. 249) quoted above on page 7.

The question of whether the District Court should exercise jurisdiction to grant the relief prayed for is clearly not before this Court, and indeed should not be considered at this stage by any court since the proceedings in the District Court were interrupted before all the evidence was in, by the decision to dismiss for want of jurisdiction. For reasons briefly summarized below, however, we submit that the jurisdiction should be exercised to grant the relief sought.

1. The United States, as a Sovereign Nation, Has Jurisdiction to Grant the Relief Prayed For.[9]

a. The United States Has Jurisdiction Since Petitioners Are Personally Subject to Its Territorial Jurisdiction.

Petitioners are personally in the United States, were personally served in San Antonio, and personally appeared. The relief sought can be granted by a decree *in personam*, and the United States, therefore, has the necessary jurisdiction. The jurisdiction of a sovereign to enter orders directed *in personam* to persons within its territory, even with relation to matters in the territory of another sovereign, is well established. The general rules are stated thus in the Restatement of the Conflict of Laws:

> "A state can exercise through its courts jurisdiction to forbid a party, who is subject to its jurisdiction, to do an act in another state." American Law Institute, *Restatement of Conflict of Laws*, Sec. 96. See also:

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[9] The relief sought is of several kinds (R. 6-8):

a negative injunction (to cease from certain actions, including acts of unfair competition and trade-mark infringement in Mexico);

a mandatory injunction (to take certain steps, including cancellation of the Mexican trade-mark);

an accounting for profits from unfair competition;

damages;

costs.

Beale, *Conflict of Laws*, Sec. 96.1. Pomeroy, *Equity Jurisprudence*, 5th ed., Sec. 1318.[10]

"A state can exercise jurisdiction through its courts to make a decree directing a party subject to the jurisdiction of the court to do an act in another state, provided such act is not contrary to the law of the state in which it is to be performed."[11] *Restatement, supra*, Sec. 94; see also *id.*, Sec. 95; Beale, *Conflict of Laws*, Secs. 96.1, 97.4, 97.14; Halsbury's Laws of England, 2d ed., *Conflict of Laws*, 270, 276.

This doctrine had its foundation in the equity courts of England at an earlier day as indicated in *Penn* v. *Lord*

[10] For example, injunctions have been granted against: the prosecution of a proceeding in another state, *Cole* v. *Cunningham*, 133 U. S. 107 (1890); *Philadelphia Co.* v. *Stimson*, 223 U. S. 605 (1912); *Moton* v. *Hull*, 77 Tex. 80 (1890); the commission of such torts as illegal blasting abroad (*Longley* v. *McGeoch*, 115 Md. 182 (1911); performance of a copyrighted play in another state *French* v. *Maguire*, 55 How. Pr. 47 (1878); diversion of foreign funds, *Buel* v. *Baltimore & O.S.W. Ry. Co.*, 24 Misc. 646, 53 N.Y.S. 749 (1898); and other torts outside the state *Western Union Tel. Co.* v. *Pittsburgh, C.,C., and S.L.Ry. Co.*, 137 F. 435 (C.C. N.D. Ill. 1905).

[11] In this connection the affirmative action which respondent has asked the District Court to order petitioner to take in Mexico is not contrary to Mexican law or public policy, so far as the record shows. The request is for an order directing respondent to obtain cancellation of his registered trade-mark in Mexico. There is nothing in the record which shows that such a direction would require action contrary to the law of Mexico. The jurisdiction of the United States to grant this relief under its own law would have existed, therefore, even if the Mexican courts had continued to hold that, under Mexican law, petitioner was the owner of a validly registered Mexican trade-mark covering the name "Bulova". As pointed out in respondent's statement above, p. 6, n. 4, however, the Supreme Court of Mexico has, since the action of this Court in granting certiorari, finally affirmed administrative action declaring petitioners' Mexican trade-mark to be a nullity on the ground that it was obtained in bad faith. (See certified copy of the judgment of the Mexican Supreme Court, and translation thereof in Appendix III to this brief, both filed herewith.)

Baltimore, 1 Ves. Sen. 444 (1750), where Lord Hardwicke said (at p. 455):

> "As to the court's not inforcing the execution of their judgment; if they could not at all, I agree, it would be in vain to make a decree; and that the court cannot inforce their own decree *in rem*, in the present case: but that is not an objection against making a decree in the cause; for the strict primary decree in this court, as a court of equity, is *in personam* . . . In the case of Lord *Anglesey* of land lying in *Ireland*, I decreed for distinguishing and settling the parts of the estate, though impossible to inforce that decree *in rem*, but the party being in *England*, I could inforce it by process of contempt *in personam* and sequestration, which is the proper jurisdiction of this court."

To the extent that the relief sought in this case is a negative injunction, it is clearly relief which can effectively be granted, for petitioners can obey it simply by remaining within the territorial jurisdiction.

To the extent that the relief sought is an affirmative injunction requiring action abroad, there are various means of enforcement, such as the requirement of the execution of necessary papers within the territorial jurisdiction or the requirement of posting of a bond to assure performance abroad. As stated by Judge Goodrich, a noted authority on the conflict of laws, in *Kroese* v. *General Steel Castings Corp.*, 179 F. (2d) 760, 765 (C.C.A. 3d, 1950):

> "Equity courts have known for a long time how to impose onerous alternatives at home to the performance of affirmative acts abroad as a means of getting those affirmative acts accomplished."

This Court, in an early case, upheld the authority of an equity court of the Commonwealth of Kentucky, having personal jurisdiction of the defendant, to order the conveyance of land in the State of Ohio. *Massie* v. *Watts*, 6 Cranch 148 (1810). In reaching this conclusion, this Court, speaking through Chief Justice Marshall, cited the practice of the English courts of chancery, as shown in *Penn*

v. *Lord Baltimore, supra; Arglasse* v. *Muschamp,* 1 Vernon 75 (1682); *The Earl of Kildare* v. *Sir Morrice Eustace and Fitzgerald,* 1 Vernon 419 (1686); and *Toller* v. *Carteret,* 2 Vernon 494 (1705).

In *Phelps* v. *McDonald,* 99 U.S. 298 (1878), this Court disposed of a controversy as to the ownership of a claim award by a mixed claims commission, the defendant being a British subject, resident in the United States, over whom the court had jurisdiction *in personam* and who had been declared a bankrupt previously. The Court examined, among others, the argument that the court had no jurisdiction because of the asserted fact that the fund out of which the award was to be paid was still in the hands of the British government. Holding this to be irrelevant, the Court said (99 U.S. at 307, 308):

> "In this case, whether the money be here or abroad, the assignee is entitled to have the question finally settled whether he or McDonald has the better right * * *.
>
> "Where the necessary parties are before a court of equity, it is immaterial that the *res* of the controversy, whether it be real or personal property, is beyond the territorial jurisdiction of the tribunal. It has the power to compel the defendant to do all things necessary, according to the *lex loci rei sitae,* which he could do voluntarily, to give full effect to the decree against him.
>
> "Without regard to the situation of the subject-matter, such courts consider the equities between the parties, and decree *in personam* according to those equities, and enforce obedience to their decrees by process *in personam.*"

Referring to the holding in *Phelps* v. *McDonald,* quoted above, Chief Justice Fuller said in *Cole* v. *Cunningham,* 133 U.S. 107, 119 (1890):

> "Such is undoubtedly the result of the clear weight of authority, and the rule has been often applied by the courts of the domicil against the attempts of some of its citizens to defeat the operation of its laws to the wrong and injury of others."

A more recent case in this Court asserting the existence of jurisdiction to forbid an act outside the territory is that of *New Jersey* v. *New York*, 283 U. S. 473 (1931). In that case, the Court held that it had jurisdiction to forbid the State of New Jersey from dumping in the open ocean, beyond the territorial limits of the United States, garbage which was eventually washed up on the shores of the State of New York. Speaking through Mr. Justice Butler (283 U. S. at 482), the Court said:

> "But the defendant is before the Court and the property of plaintiff and its citizens that is alleged to have been injured by such dumping is within the Court's territorial jurisdiction. The situs of the acts creating the nuisance, whether within or without the United States, is of no importance. Plaintiff seeks a decree in personam to prevent them in the future. The court has jurisdiction."

A well known case in a lower federal court underlines the existence of jurisdiction specifically to order acts to be done abroad. In *The Salton Sea Cases*, 172 F. 792 (C.C.A. 9th, 1909), cert. den., 215 U. S. 603 (1909), plaintiff's property in California had been damaged by the overflow of waters of the Colorado River caused by defendant's construction and operation of sluices and other water works across the border in Mexico which had diverted the course of the river. Defendant was found personally within the State of California. Plaintiff asked the United States Circuit Court in California for comprehensive injunctive relief to prevent further injury by defendant. That court granted relief and, in affirming, the Court of Appeals said (at p. 812):

> "It is further objected that the court had no jurisdiction to decree an injunction in effect abating a nuisance caused by the construction of intakes in the republic of Mexico, and it is claimed that there is a rule supporting this objection to the effect that a court of equity can never compel a defendant to do anything

which is not capable of being physically done within the territorial jurisdiction of the court."

The Court of Appeals concluded, however, (at p. 816):

> "We are of the opinion, therefore, that the court had jurisdiction in the present case to protect property within its jurisdiction, and to restrain the defendant from diverting the waters of the Colorado River to the damage of such property, notwithstanding the defendant may find it necessary in complying with the decree of the court to perform acts beyond the jurisdiction of the court."

Similarly, in a very recent antitrust case, the domestic defendants were ordered to discontinue their joint stock ownership in certain foreign companies. *United States* v. *Imperial Chemical Industries*, 105 F. Supp. 215 (S.D.N.Y., 1952). In rejecting the defense contentions as to lack of jurisdiction in this respect, Judge Ryan said (p. 237):

> "That these measures direct the defendants to do certain things the effect of which is felt or realized beyond our borders is immaterial. Equity has often required such steps to be taken; like remedies have frequently been applied in antitrust suits."[11a]

In other words, the fact that, as here, plaintiff may seek an equity decree requiring persons before the court to do acts abroad, does not *ipso facto* deprive the court of jurisdiction as petitioners seem to contend. On the contrary, where equitable relief of that nature may be appropriate to enforce United States concepts of sound public policy (without impinging on the attributes of a foreign sovereign), jurisdiction is clearly present.

Specifically, in cases of unfair competition abroad involving facts closely resembling the facts of the present

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[11a] *Cf. United States* v. *National Lead Co.*, 332 U. S. 319, 351-352 (1947).

case, courts have found the necessary jurisdiction to grant relief.[12]

Thus, in *Vacuum Oil Co.* v. *Eagle Oil Co.*, 154 F. 867 (C.C.N.J. 1907), aff'd 162 F. 671 (C.C.A. 3d, 1908), cert. den., 214 U. S. 515 (1909), defendant purchased oil in the United States and shipped it to Germany in unmarked barrels. In Germany defendant marked the barrels with a mark imitating plaintiff's trade-mark, which, though registered in the United States, was not registered in Germany. The Circuit Court enjoined defendant's unfair competition, even though the acts of applying the imitating mark and passing off of defendant's oil as plaintiff's both occurred in Germany.

In *George W. Luft Company, Inc.*, v. *Zande Cosmetic Company, Inc.*, 142 F. (2d) 536 (C.C.A. 2d, 1944), cert. den., 323 U.S. 756 (1944), defendant applied to packages which it then shipped abroad for sale a mark which was held to infringe plaintiff's trade-mark. The Court of Appeals

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[12] See Nims, *The Law of Unfair Competition and Trade-Marks*, 4th ed. (1947), sec. 363a:

> "Actions for unfair competition and for trade-mark infringement are transitory, and the court has jurisdiction although the unfair acts or infringements are committed outside of its territorial jurisdiction. * * * Equity courts, acting in personam have power to order persons under their jurisdiction to perform acts outside their jurisdictions and in places where their processes do not run regardless of the fact that such orders may affect property outside their jurisdiction. They may grant relief against unfair acts carried on not only beyond the States included in their jurisdiction, but even in foreign countries. * * * This power of equity courts has been of great and steadily increasing importance in unfair competition cases. With the improvements in the means of extending knowledge and reputation of commercial concerns and their merchandise and with the lengthening of the distances which most goods travel under their trade-marks and trade names, there has been an increase in the number of cases in which the only adequate relief is an injunction restraining unfair competition whether in the United States or in foreign lands."

affirmed a decree enjoining defendant from using the infringing mark on packages shipped to and sold in certain foreign countries. The basis of jurisdiction was personal jurisdiction and "activities within the United States which will be consummated in those countries" (142 F. (2d), at 541). The decree which was thus affirmed as to those countries provided:

> "4. That defendants, their agents and servants be and they are hereby perpetually enjoined and restrained from directly or indirectly manufacturing, selling, distributing or advertising lipsticks, rouges, and other cosmetics bearing the trade-mark 'Zande' or the corporate name 'Zande Cosmetic Co., Inc.' or otherwise using such trade-mark, corporate name, business name or other name which colorably imitates plaintiff's trade-marks 'Tangee' or otherwise infringing plaintiff's trade-mark 'Tangee'."[13]

Virtually the precise situation at bar has been litigated twice in State courts. In *Western Clock Manufacturing Co.* v. *A. C. Smith*, 2 Trade-Mark Reporter 522 (N.Y. Sup. Ct. 1912), known as the "Big Ben" case, defendant, an American dealer, residing in Mexico, registered the trade-mark "Big Ben" owned by plaintiff. Acting in equity the court restrained defendant from the use of such name and perpetually enjoined him from claiming to be the owner

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[13] Reproduced in record of *George W. Luft Company, Inc., Petitioner* v. *Zande Cosmetic Co., Inc., et al*, as filed with petition for certiorari in Docket No. 347, Oct. Term 1944, United States Supreme Court. The decree was modified by the Court of Appeals so as not to apply to that part of the trade of defendant which was carried on in certain foreign countries where, in proceedings between plaintiff and defendant, defendant's right to use its mark had been established. It is to be noted that the *Zande* case was decided before the Lanham Trade-Mark Act of 1946. Moreover, the decision of the Mexican Supreme Court on October 6, 1952, holding that petitioners' Mexican trade-mark is a nullity (see Appendix III to this brief), presents a situation which differentiates the instant case from that portion of the decision of the Court of Appeals which modified the *Zande* decree as indicated above.

of the trade-mark words "Big Ben", and from claiming any rights by virtue of the registration of such name in the Republic of Mexico. He was further ordered by the court to

> "forthwith assign and transfer, by proper instrument in writing * * * all right and interest in and to the registration of the trade-mark words 'Big Ben' * * * or, in the alternative * * * to forthwith execute and deliver to the said plaintiff, Western Clock Manufacturing Company, a petition in proper form to the director of the bureau of patents and trade-marks in the republic of Mexico for the cancellation of the said registration in the name of the said defendant * * * of the said trade-mark words, 'Big Ben' * * * or to execute and deliver to this plaintiff, Western Clock Manufacturing Company, such other proper instrument or instruments in writing, directed to the proper authorities in the republic of Mexico, as may be necessary and proper * * * to procure the cancellation of the said trade mark numbered 11,145 * * *."[14]

In a subsequent New York case, a similar result was reached. *Morris* v. *Altstedter*, 93 Misc. 329, 156 N.Y.S. 1163 (1916), aff'd without opinion, 173 A.D. 932, 158 N.Y.S. 1123 (1916). This was a suit to enjoin defendant from infringing plaintiff's trade-mark and from committing acts of unfair competition. Plaintiffs were manufacturers of paper placards known as woodenettes. They had developed a large business in the sale of those placards both in the United States and in foreign countries, particularly Canada. Defendant requested them to fix a price at which they would sell him woodenettes but he found their price too high. Thereafter defendant sold large quantities of woodenettes to merchants in Canada, the merchandise being so similar in design, style, wording and appearance that they could only have been made up from photographs of plaintiff's woodenettes. Defendant was a resident of New York and carried on his business both in New York

[14] Since this case is not officially reported, the complete text of this case as it appears in the Trade-Mark Reporter is printed in Appendix II to this brief.

and in Canada. The goods sold by defendant in Canada were manufactured in Canada. Plaintiff's trade-mark was never registered in Canada. In granting the injunction, the court cited the *Vacuum Oil* case and said (p. 332):

> "It has been repeatedly held that an act that violates the law of fair dealing and good conscience must be of universal recognition. Unfair competition in trade is made cognizable by a court of equity, because of its essentially fraudulent character. See Hopkins Trade-Marks, 41; *Lawrence Mfg. Co.* v. *Tennessee Mfg. Co.*, 138 U.S. 357. It has also been held that, while the action is founded upon fraud, it is also of a transitory character, and the fact that some of the fraudulent acts were committed outside of the jurisdiction of this state or the United States will not avail the defendant. See *McKenna* v. *Fisk*, 1 How. 241; *Mitchell* v. *Harmony*, 13 id. 115; *Dennick* v. *Cent. R.R.*, 103 U.S. 11."

The facts of the present case are virtually identical with those of the *Altstedter* case. They are even stronger than those of the *"Big Ben"* case, since in that case defendant was a resident of Mexico. In the case at bar, petitioners are residents of the United States, procuring part of the merchandise sold as "Bulova" watches through commerce originating in the United States.

It thus seems clear from the authorities, ancient and modern alike, that a court of chancery has the power to restrain or direct acts abroad on the part of persons before it, based solely on its traditional *in personam* jurisdiction. Accordingly, if only for the reason that the petitioners here were personally before the District Court, its holding of lack of jurisdiction was erroneous. However, we discuss below a number of additional elements in this case each of which confirms such jurisdiction, and which both individually and all together are virtually conclusive on this point. These adidtional elements are:

The United States citizenship of petitioners;

The effect in the United States of the acts of unfair competition in Mexico; and

The activities of petitioners in the United States which eventuate in unfair competition in Mexico.

b. The United States Has Jurisdiction Since Not Only Are Petitioners Personally Subject to Its Territorial Jurisdiction, But Also They Are Citizens.

While the jurisdiction of a sovereign is, in the first instance, territorial, it also extends to its citizens everywhere. As Mr. Justice Jackson said in the recent case of *Johnson* v. *Eisentrager*, 339 U.S. 763, 769 (1950):

> "Citizenship, as a head of jurisdiction and a ground of protection was old when Paul invoked it in his appeal to Caesar. The years have not destroyed nor diminished the importance of citizenship nor have they sapped the vitality of a citizen's claims upon his government for protection."

In *Blackmer* v. *United States*, 284 U.S. 421 (1932), this Court said, in discussing the application of a United States statute to the petitioner, a United States citizen resident in France (pp. 436, 437):

> "By virtue of the obligations of citizenship, the United States retained its authority over him, and he was bound by its laws made applicable to him in a foreign country. Thus, although resident abroad, the petitioner remained subject to the taxing power of the United States. *Cook* v. *Tait*, 265 U.S. 47, 54, 56. For disobedience to its laws through conduct abroad he was subject to punishment in the courts of the United States. *United States* v. *Bowman*, 260 U.S. 94, 102. With respect to such an exercise of authority, there is no question of international law, but solely of the purport of the municipal law which establishes the duties of the citizen in relation to his own government."

This Court also said, in *Skiriotes* v. *Florida*, 313 U.S. 69, 73 (1941):

> ". . . The United States is not debarred by any rule of international law from governing the conduct of its own citizens . . . in foreign countries when the rights of other nations or their nationals are not infringed."

See also: The Hamilton, 207 U.S. 398 (1907).
The Trial of Earl Russell [1901] A.C. 446.
Oppenheim, International Law, 6th ed., Sec. 145.
Moore, International Law Digest, Vol. II, pp. 255, 256.
Hyde, International Law, 2d Rev'd ed., Sec. 240.
American Law Institute, Restatement of Conflict of Laws, Sec. 63.
Beale, Conflict of Laws, Sec. 631.

Although this jurisdiction is exercised most frequently to enforce the direct obligations of the citizen to the sovereign government, it exists also to enforce, at the suit of a citizen, the policy of the sovereign with respect to the mutual obligations of its citizens outside the territory of the sovereign. *The Hamilton*, 207 U.S. 398 (1907).

The case of *The Hamilton*, it is true, related to sovereignty on the high seas. However, this Court, in two recent cases involving construction of statutes under facts entirely different from those presented in this case, specifically recognized the fact that a Congressional statute might apply in foreign territory as between citizens of the United States. In *Vermilya-Brown Co., Inc.* v. *Cornell*, 335 U.S. 377 (1948), an action by an American employee against an American employer under the Fair Labor Standards Act in respect to work performed in an area in Bermuda leased to the United States, Mr. Justice Reed, speaking for this Court, said (p. 381):

> "We have no doubt that Congress has power, in certain situations, to regulate the actions of our citizens outside the territorial jurisdiction of the United States."

In a similar action, *Foley Bros., Inc.* v. *Filardo*, 336 U.S. 281 (1949), Mr. Justice Reed, again speaking for the Court, held that the question of applying the Eight-Hour Law to

work done in Iran and Iraq was "not the power of Congress" but "rather whether Congress intended to make the law applicable." (336 U.S. at pp. 284, 285.)

In an unfair competition case, *Branch* v. *Federal Trade Commission*, 141 F. (2d) 31 (C.C.A. 7th, 1944), described in more detail at pp. 37-38 below, it was held that the Commission had jurisdiction to protect United States foreign commerce against the wrongful acts of an American citizen abroad. The court, speaking through Mr. Justice (then Judge) Minton said (p. 35):

> "The right of the United States to control the conduct of its citizens in foreign countries in respect to matters which a sovereign ordinarily governs within its own territorial jurisdiction has been recognized repeatedly. *Blackmer* v. *United States*, 284 U.S. 421, 436-438, 52 S. Ct. 252, 76 L. Ed. 375; *Cook* v. *Tait*, 265 U.S. 47, 54-56, 44 S. Ct. 444, 68 L. Ed. 895. Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, although some of the acts are done outside the territorial limits of the United States."

c. The United States Has Jurisdiction Since Not Only Are Petitioners Personally Within Its Territory, But Also Their Acts of Unfair Competition in Mexico Have Injurious Effects Within the United States.

The passing off in Mexico of petitioners' spurious "Bulova" watches, largely imported from Switzerland, with some parts imported from the United States, has, according to respondent's complaint, reduced respondent's legitimate sales of its own watches in Mexico. (R. 1-8). This unfair competition and the maintenance of the registration in Mexico of respondent's trade mark as petitioners' property would necessarily reduce the quantity of watches which respondent could export from the United States. The result would be to limit commerce, production and employment in the United States. *Cf. Branch* v.

Federal Trade Commission, 141 F. (2d) 31 (C.C.A. 7th, 1944).

In addition, respondent complains that its reputation has been adversely affected by the sale in Mexico of petitioners' spurious "Bulova" watches to United States residents generally visiting Mexico as tourists. (R. 1-8). Many of the purchasers of petitioners' spurious "Bulova" watches have brought them into the United States, and numerous complaints have been received by respondent from retailers concerning such watches (R. 77, 78). Moreover, the poor reputation which petitioners' spurious "Bulova" watches have earned in Mexico inevitably would be communicated across the border where it would adversely affect respondent. (R. 4).

There is no question as to the existence of the jurisdiction of a sovereign to attach legal consequences to actions which, although done outside, have effects within, the territory of the sovereign.

Strassheim v. Daily, 221 U.S. 280, 284, 285 (1911).
Lamar v. United States, 240 U.S. 60, 65, 66 (1916).
Ford v. United States, 273 U.S. 593, 620, 621 (1927).
United States v. Aluminum Co. of America, 148 F. (2d) 416, 443 (C.C.A. 2d, 1945, sitting as a court of last resort).
The Salton Sea Cases, 172 F. 792 (C.C.A. 9th, 1909).
The S. S. Lotus, Permanent Court of International Justice, Series A, No. 10, 2 Hudson, World Court Reports, 23 (1926).
American Law Institute, Restatement of Conflict of Laws, Sec. 65, and Sec. 377, comment a.
Hyde, International Law, 2d Rev'd Ed. Sec. 238.

On the basis of this principle, the United States has jurisdiction to protect its foreign commerce from acts abroad, since injuries abroad to American foreign commerce have injurious effects within the United States.

Branch v. *Federal Trade Commission*, 141 F. (2d) 31, (C.C.A. 7th, 1944), is an example of the assertion by the courts of such jurisdiction to protect American exporters

against unfair acts committed abroad by an American exporter.

The existence of jurisdiction to protect foreign commerce against other types of anti-competitive acts abroad is illustrated in a long line of Sherman Act cases.[15] The basis for jurisdiction embraces two principal aspects—personal jurisdiction over one or more of the alleged conspirators, whether domestic or foreign (see *United States* v. *Imperial Chemical Industries*,[16] *supra*, 105 F. Supp. at pp. 228-229), and the effect of the alleged acts or conduct upon the foreign commerce of the United States under the Sherman Act. For example, in *Thomsen* v. *Cayser*, 243 U.S. 66

[15] *Thomsen* v. *Cayser*, 243 U.S. 66, 88 (1917); *United States* v. *Sisal Sales Corp.*, 274 U.S. 268, 276 (1927); *United States* v. *Aluminum Co. of America*, 148 F. (2d) 416, 443-445 (C.C.A. 2d, 1945, sitting as court of last resort); *United States* v. *National Lead Co.*, 63 F. Supp. 513, 524-525 (S.D.N.Y., 1945), aff'd, 332 U.S. 319 (1947); *United States* v. *Timken Roller Bearing Co.*, 83 F. Supp. 284, 309 (N.D. Ohio, 1949), mod. and aff'd., 341 U.S. 593, 597 (1951); *United States* v. *General Electric Co.*, 82 F. Supp. 753, 890 (D.N.J., 1949); *United States* v. *United States Alkali Export Ass'n.*, 86 F. Supp. 59, 70 (S.D.N.Y., 1949), s.c., 325 U.S. 196, 211, footnote 8 (1945); *United States* v. *Imperial Chemical Industries*, 105 F. Supp. 215, 229, 237 (S.D.N.Y., 1952), s.c., 100 F. Supp. 504, 593 (S.D.N.Y. 1951).

[16] Although the English Court of Appeals has recently refused (in a preliminary injunction proceeding) to enforce a portion of Judge Ryan's decree in the above *Imperial Chemical Industries* case against one of its nationals, it fully recognized the principles discussed herein. See *British Nylon Spinners, Ltd.* v. *Imperial Chemical Industries*, as reported in Law Report, London Times, Oct. 16, 1952:

> "It was competent for the Courts of a particular country in a suit between persons who were either nationals or subjects of that country, or otherwise subject to its jurisdiction, to make orders *in personam* against one such party, directing him to do or refrain from doing something in another country which affected the other party to the action. But the plaintiffs here were neither subjects nor nationals of the United States, nor were they parties to the proceedings before Judge Ryan nor otherwise subject to his jurisdiction."

(1917), this Court upheld a treble damage action for overcharges by United States shippers against a combination of foreign ocean carriers, which had established a system of uniform rates and special rebates in shipping between New York and South African ports. In rejecting the contention that the combination, having been formed in a foreign country, was not within the Sherman Act, and that its agents in this country were not amenable to the law, the unanimous Court, speaking through Mr. Justice McKenna, said (p. 88):

> "To this we do not assent. As was said by the Circuit Court of Appeals, the combination affected the foreign commerce of this country and was put into operation here. *United States* v. *Pacific & Arctic Ry. & Nav. Co.*, 228 U.S. 87. It, therefore, is within the law, and its managers here were more than simply agents—they were participants in the combination."

As has already been shown, petitioners' acts of unfair competition and trade-mark infringement in the case at bar necessarily produced injurious effects in this country, and petitioners themselves (not merely their agents) were before the District Court.

The Sherman Act authorities, including the recent cartel cases, also make it clear that possible repercussions abroad, or even the lawfulness of cartel agreements abroad, will not deter a finding of antitrust violation and appropriate equity relief therefrom. *Cf. United States* v. *Sisal Sales Corp.*, 274 U.S. 268 (1927); *Timken Roller Bearing Co.* v. *United States*, 341 U.S. 593, 599 (1951); *United States* v. *National Lead Co.*, 332 U.S. 319 (1947). In the *Sisal* case, this Court upheld jurisdiction to enjoin a conspiracy to monopolize the importation of sisal into the United States, even though Mexico and Yucatan had passed legislation favorable to and in aid of the conspiracy.[17] In this con-

[17] *Cf.* cases such as *The Salton Sea Cases*, p. 18 *supra*, where perfectly lawful acts in the foreign territory (e.g., building a dam) are enjoined by our courts.

nection, Mr. Justice McReynolds, speaking for a unanimous Court, said (p. 276):

> "True, the conspirators were aided by discriminatory legislation, but by their own deliberate acts, here and elsewhere, they brought about forbidden results within the United States. They are within the jurisdiction of our courts and may be punished for offenses against our laws."

The only Sherman Act case that might be considered at variance with this unbroken line of authority is *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909), in which a treble damage complaint based on a seizure of plaintiff's property in Costa Rica by the Costa Rican government, allegedly instigated by defendant, was dismissed for lack of jurisdiction. This early antitrust decision would seem to be of doubtful authority today in view of *Thomsen v. Cayser*, the *Sisal* case, and the recent cartel cases already cited. Furthermore, it is clearly distinguishable from the present case in that the acts complained of in the *Banana* case were effected by affirmative action of Costa Rican troops—an exercise of sovereignty with which this Court was naturally loath to interfere (see 213 U.S. at pp. 357-358). Other grounds which even more clearly serve to distinguish the *Banana* case are discussed at pp. 38-39 below.

It thus seems clear that the antitrust decisions are virtually unanimous in asserting jurisdiction in cases that involve acts or conduct abroad by persons properly before the courts. Upon finding a violation of the Sherman Act through such acts or conduct, the courts do not hesitate to direct or enjoin the defendants with respect to future acts abroad in order to remove anti-competitive restrictions or otherwise restore competitive conditions. These cases should provide ample authority for the United States District Court in Texas in this case, after hearing the merits, to decree appropriate relief against petitioners' acts of

unfair competition, even though, in part, this might require or forbid certain conduct in Mexico.

For example, in the *National Lead* case, Section 7 of the decree forbade the defendants, inter alia, from enforcing any rights under their *foreign* patents to prevent exports from the United States[18] (63 F. Supp. at p. 534; 332 U.S. at p. 328, footnote 4). While this particular point was apparently not in issue on the appeal, this Court specifically affirmed Section 7 of the decree without dissent[19] (p. 351). Furthermore, the Court may well have had in mind any jurisdictional question raised by the decree when it said:

> "We believe that the District Court has not exceeded its discretion in the provisions of this decree but has employed its discretion with commendable fairness having especial regard to the needs of this case. It has succeeded in keeping within the lines of precedent thus far established, although, in this field, such lines cannot be much more than guides. The essential consideration is that the remedy shall be as effective and fair as possible . . ." (p. 335).

Surely if a remedy, to be "effective" in the antitrust field, may require that domestic concerns grant immunity under their foreign patents, the equivalent of immunity under a spurious Mexican trade-mark may be required of a United States citizen in an unfair competition case such as is here presented.

An even closer analogy is found in those antitrust decrees requiring or forbidding defendants to take specified action with respect to their foreign trade marks. *E.g.*, *Timken Roller Bearing Co.* v. *United States*, 341 U.S. 593, (1951). In this case, the District Court had found, inter alia, that defendant, by agreements with its foreign co-con-

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[18] The same relief has recently been decreed in the *I.C.I.* case, *United States* v. *Imperial Chemical Industries*, *supra*, 105 F. Supp. at pp. 228, 230.

[19] The dissent in this case was solely on the point that the decree should have been considerably stronger against the defendants.

spirators, had used its trade-mark abroad "for the purpose of preventing competition" (83 F. Supp. at 315). Accordingly, Section VII(C) of the decree[20] enjoined defendant from entering into specified types of agreements with the foreign companies for the transfer of any right or immunity under a trade-mark or trade name. This portion of the decree was affirmed without comment by a majority of this Court (see 341 U.S. at p. 600), as were the findings as to Timken's misuse of its trade-mark abroad (pp. 598-599).

The *Timken* case therefore is authority for an equity court (1) assuming jurisdiction over a domestic company with respect to its foreign trade-mark rights when allegedly misused abroad to the detriment of domestic competitors wishing to export, and (2) including injunctive provisions in its decree with respect to such foreign trade-marks.

A similar exercise of jurisdiction is found in at least two recent consent decrees,[21] which terminated certain cartel agreements, and directed the respective defendants to adopt a new trade-mark for use abroad, to take all necessary steps to register it abroad, to advertise it abroad, etc. This indicates that an equity court will not hesitate to require affirmative, as well as negative, acts abroad in a case where foreign trade-mark rights have been misused.

It is true that the exercise of jurisdiction in antitrust cases with reference to acts done and to be done abroad has occurred most frequently in cases brought by the government to enforce the direct obligations of its citizens to the government. As in the present case, however, such jurisdiction exists to enforce also, at the suit of a citizen,

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[20] Reproduced in Record of *Timken* case, Docket No. 352, October 1950 Term, at pp. 1177-1178.

[21] *United States* v. *SKF Industries, Inc.*, (E.D. Pa., 1950), CCH, Trade Reg. Rep., para. 62, 708; *United States* v. *The Permutit Co.*, (S.D.N.Y., 1951), CCH, Trade Reg. Rep., para. 62, 888. For other antitrust cases and decrees on this subject, see Timberg, *Trade-Marks, Monopoly, and the Restraint of Competition*, 14 Law & Contemp. Problems 323, 334-341 (Spring, 1949).

the policy of the sovereign with respect to the mutual obligations of its citizens outside, as well as within, the territory of the sovereign. Thus, treble damage suits under the Sherman Act have been grounded on acts done abroad. E.g., *Thomsen* v. *Cayser*, 243 U.S. 66 (1917).

d. The United States Has Jurisdiction Since Not Only Are Petitioners Personally Within Its Territory, But Also Their Acts of Unfair Competition Involve Activities Within the Territorial Limits of the United States.

The District Court found that petitioner imported into Mexico watch dials and cases from the United States, which were then assembled with movements imported from Switzerland. Many of the watches so assembled were stamped and sold as "Bulova" watches (R. 247). The District Court found that the dials and cases purchased in the United States were used in "some of the watches" so stamped and sold (R. 247), and petitioner Sidney Steele by testimony in open court affirmed that a "majority of them have something of an American make on them" (R. 106).

The activities of purchase and shipment in the United States were part of the scheme of unfair competition abroad, and, under the authorities discussed below, they give the United States jurisdiction to relieve against such unfair competition.

This is an application of the general territorial jurisdiction of a sovereign. "Each state has legislative jurisdiction to determine the legal effect of acts done or events caused within its territory (see § 64). If consequences of an act done in one state occur in another state, each state in which any event in the series of act and consequences occurs may exercise legislative jurisdiction to create rights or other interests as a result thereof." American Law Institute, *Restatement of Conflict of Laws*, sec. 377, comment a.

The fact that the activities within the United States, the purchase and export of dials and cases not yet marked

"Bulova", would not have been considered actionable if not part of the whole scheme of fraudulent activity does not, of course, oust the court of jurisdiction.

In *Vacuum Oil Co.* v. *Eagle Oil Co.*, 154 F. 867 (C.C. N.J. 1907), aff'd 162 F. 671 (C.C.A. 3d, 1908), cert. den., 214 U.S. 515 (1909), previously discussed in this brief at p. 20, the only activities of defendant within the United States were the otherwise lawful purchase of oil and its export in unmarked barrels. The application of the imitating mark and the passing off of defendant's oil as plaintiff's occurred in Germany. Nevertheless, the court held that it had jurisdiction to enjoin defendant's unfair competition because, among other things, part of the activities which eventuated in unfair competition abroad took place within the territorial jurisdiction of the court.

Similarly, it is a familiar doctrine under the antitrust laws that the lawfulness of certain activities or practices, considered separately, will not prevent their being enjoined when part of an entire scheme that is illegal. *United States* v. *Univis Lens Co.*, 316 U. S. 241, 254 (1942); *cf. United States* v. *Sisal Sales Corp.*, 274 U. S. 268 (1927).

2. The District Court Has Been Vested With Jurisdiction to Grant the Relief Prayed For.

a. The District Courts Have Been Vested With Such Jurisdiction as Part of Their General Equity Jurisdiction in "Diversity of Citizenship" Cases.

In this case, diversity obviously exists since respondent is a New York corporation and petitioners are citizens of the State of Texas.

It is fundamental that in diversity cases the district courts have general equity jurisdiction. U.S. Constitution, Art. 3, Sec. 2; 28 U.S.C. sec. 1332. General equity jurisdiction includes jurisdiction to relieve against trade-mark infringement and unfair competition. *Trade-Mark Cases*,

100 U.S. 82 (1879).[22] See also Pomeroy, *Equitable Remedies*, Secs. 578, 579. This is based on the holding that trade-marks and good will are property. *Trade-Mark Cases*, 100 U.S. 82 at p. 92. Accordingly, equity jurisdiction exists to protect them against trespass, such as has occurred in this case.[23]

As indicated by many cases previously cited under Point 1 (a), general equity jurisdiction, by operating *in personam*, can grant relief in the form of an injunction against, or order to perform, acts abroad. *E.g., New Jersey* v. *New York*, 283 U.S. 473 (1931); *The Salton Sea Cases*, 172 F. 792 (C.C.A. 9th, 1909), cert. den. 215 U.S. 603 (1909). See also cases cited at p. 15, n. 10 above.

Wholly apart, therefore, from the jurisdiction to protect respondent's registered trade-mark specifically conferred on the district courts by the Lanham Trade-Mark Act, as discussed in Point 2b below, the District Court clearly has general equity jurisdiction to grant the relief prayed for in this case.

b. Wholly Aside From the General Equity Jurisdiction Possessed by District Courts in Diversity Cases, the District Courts Have Been Specifically Vested With Jurisdiction to Protect Against Such Trade-Mark Infringement and Acts of Unfair Competition as Petitioners Have Committed in Mexico.

As discussed above, jurisdiction exists in the present case on a number of bases, and respondent submits that the decision of the Court of Appeals should be affirmed for the various reasons heretofore advanced. In addition to all

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[22] *Cf.* also such cases cited previously as *Vacuum Oil Co.* v. *Eagle Oil Co.*, 154 F. 867 (C.C.N.J. 1907), aff'd 162 F. 671 (C.C.A. 3d, 1908), cert. den., 214 U.S. 515 (1909); *George W. Luft Company, Inc.* v. *Zande Cosmetic Company, Inc.*, 142 F. (2d) 536 (C.C.A. 2d, 1944), cert. den., 323 U.S. 756 (1944).

[23] *Cf.* previously cited case of an injunction against trespass to real property: *The Salton Sea Cases*, 172 F. 792 (C.C.A. 9th, 1909), cert. den., 215 U.S. 603 (1909).

of the bases of jurisdiction discussed above, however, there is a specific statutory basis on which the decision below can also be affirmed.

Section 32 of the Lanham Act (60 Stat. 437, 15 U.S.C. sec. 1114) provides generally for remedies against the use of infringing trade-marks in "commerce". "Commerce" is defined, for the purposes of the Act, as meaning "all commerce which may lawfully be regulated by Congress". (Sec. 45, 60 Stat. 443, 15 U.S.C. sec. 1127). The district courts have been specifically vested with jurisdiction of cases arising under the trade-mark laws (28 U.S.C. sec. 1338), and in particular with jurisdiction to grant injunctions to protect trade-marks registered under the Lanham Act against infringing use "in commerce". Sec. 34, 60 Stat. 439, 15 U.S.C. sec. 1116.

The definition of "commerce" in the Lanham Act specifically indicates the intention of Congress to exercise the broadest possible jurisdiction over all commerce that is constitutionally capable of being affected by an Act of Congress. The change in the language defining the application of the trade-mark laws from that used in the previous statutes (Sec. 16 of Act of Feb. 20, 1905, 33 Stat. 724; Sec. 4 of Act of March 19, 1920, 41 Stat. 533) to that used in the Lanham Act is significant. Under the previous language infringing use was required to have been "in commerce among the several States, or with a foreign nation, or with the Indian tribes." Under the Lanham Act infringing use is subject to the statute if it occurs in any commerce which Congress may lawfully regulate.

The commerce which Congress may lawfully regulate includes local, internal commerce in a foreign country if such commerce substantially affects the foreign commerce of the United States,[24] and accordingly, petitioners' use of re-

[24] Although not expressly so stated in the Lanham Act, this application of the Act would be subject to the usual limitations of international law, for undoubtedly Congress had such limitations in mind. But as pointed out below at pp. 39-40, those limitations would not prevent application of the Lanham Act to the present case.

spondent's trade-mark in sales in Mexico is subject to the provisions of the Lanham Act since such use substantially affects United States foreign commerce.

This conclusion as to the scope of the Lanham Act is supported by the decisions of this Court defining the activities which Congress may lawfully regulate under the interstate commerce clause. Thus, this Court has held that Congress may regulate intrastate commerce or activities which substantialy affect interstate commerce. *Houston East & West Railway Co.* v. *United States*, 234 U. S. 342 (1914). In *United States* v. *Darby*, 312 U. S. 100, 118 (1941) this Court said,

> "The power of Congress over interstate commerce is not confined to the regulation of commerce among the states. It extends to those activities intrastate which so affect interstate commerce or the exercise of the power of Congress over it as to make regulation of them appropriate means to the attainment of a legitimate end, the exercise of the granted power of Congress to regulate interstate commerce."

By analogy, the use of an infringing mark in local commerce abroad would appear to be intended by Congress to be governed by the Lanham Act if use in such commerce affects our foreign commerce. See *Roberts, Commentary on the Lanham Trade-Mark Act*, 15 U.S.C.A. secs. 81-1113, p. 268.

The sweeping language of the definition of the term "commerce" in the Lanham Act makes the intention to regulate acts abroad even clearer than in cases which have upheld the application abroad of such statutes as the Federal Trade Commission Act. Under the latter statute, the "commerce" regulated is defined as "commerce among the several states or with foreign nations * * *" (Section 4, 38 Stat. 719, 15 U.S.C. sec. 44). Yet, the Circuit Court of Appeals for the Seventh Circuit, speaking through Mr. Justice (then Judge) Minton, held that Section 5(a) of the Federal Trade Commission Act (38 Stat. 719, 15 U.S.C. sec. 45(a))

empowered the Commission to prevent unfair methods of competition in foreign commerce although the practices in question were consummated outside the territorial limits of the United States. *Branch* v. *Federal Trade Commission*, 141 F. (2d) 31 (C.C.A. 7th, 1944). Defendant there conducted a correspondence school from the United States. His courses of study were sold and distributed by mail in Latin American countries. The Federal Trade Commission found that he had been guilty of misrepresentation in selling his courses abroad. Defendant challenged the jurisdiction of the Commission to issue a cease-and-desist order against the methods he used in conducting his business. In upholding the Commission's jurisdiction, the Court of Appeals said (pp. 34, 35):

> "That the persons deceived were all in Latin America is of no consequence. It is the location of the petitioner's competitors which counts.
> "The Federal Trade Commission does not assume to protect the petitioner's customers in Latin America. It seeks to protect the petitioner's competitors from his unfair practices, begun in the United States and consummated in Latin America. It seeks to protect foreign commerce. If that commerce was being defiled by a resident citizen of the United States to the disadvantage of other competing citizens of the United States, the United States had a right to protect such commerce from defilement, even though the customer who is the victim of such a defilement and a non-resident may look to his sovereign for protection. For protection of the competitors within the United States, the United States is the sovereign to look to."

The specific Congressional intention to confer upon the district courts the whole of the federal jurisdiction for the protection of commerce, as shown by the sweeping definition in the Lanham Act, distinguishes this case from cases in which it has been held that, under particular circumstances, a Congressional statute will not be given effect in foreign territory. *Cf. American Banana Co.* v. *United*

Fruit Co., 213 U. S. 347 (1909); *Foley Bros, Inc.* v. *Filardo*, 336 U. S. 281 (1949). As this Court stated in *Blackmer* v. *United States*, 284 U. S. 421, 437 (1932):

> "While the legislation of the Congress, unless the contrary intent appears, is construed to apply only within the territorial jurisdiction of the United States, the question of its application, so far as citizens of the United States in foreign countries are concerned, is one of construction, not of legislative power. *American Banana Co.* v. *United Fruit Co.*, 213 U. S. 347, 357; *United States* v. *Bowman, supra; Robertson* v. *Railroad Labor Board*, 268 U. S. 619, 622."

The intent of Congress to apply a statute outside the territory of the United States may be inferred from the nature of the legislation itself. *United States* v. *Bowman*, 260 U. S. 94 (1922). Or it may be indicated in the language of the statute itself, as it is in the Lanham Act. Where it is so indicated, it clearly should not be disregarded.

In the case at bar, therefore, jurisdiction is conferred by the Lanham Act to protect respondent's registered trade mark, even though the acts of infringement include local sales abroad, provided such sales substantially affect United States foreign commerce. As shown above, at pp. 26-27, petitioners' sales of spurious "Bulova" watches necessarily have a direct effect on the foreign commerce involved in this case.

Respondent need not, and does not, contend that Congress intended by this broad language to overstep any of the recognized limitations of international law; undoubtedly Congress must have had such limitations in mind in enacting the statute. Thus, it may be that the Lanham Act is inapplicable against a foreign citizen whose sales abroad were not intended to, and did not in fact, affect United States foreign commerce, just as the Sherman Act is so inapplicable. *Cf. United States* v. *Aluminum Co. of America*, 148 F. (2d) 416, 443-445 (C.C.A. 2d, 1945, sitting as a court of last resort). By the same token, since *domestic* companies are apparently held to higher standards of liability

than foreigners in cartel cases under the Sherman Act (*cf. Timken Roller Bearing Co.* v. *United States*, 341 U. S. 593 (1951); *United States* v. *National Lead Co.*, 332 U. S. 319 (1947)), it is reasonable to conclude that the Lanham Act similarly has a broader reach when applied to United States citizens such as petitioners in this case.

In the present case, application of the Lanham Act to protect against petitioners' fraudulent acts would not conflict with any limitations of international law. International law recognizes the right of a sovereign to assert jurisdiction in such a case as this, where defendants are personally within the territorial jurisdiction and are citizens of the sovereign,[25] and where the acts to which the sovereign proposes to attach legal consequences have had injurious effects within the territorial jurisdiction,[26] and are a consummation of a scheme involving acts within the jurisdiction.

3. Not Only Has the District Court Been Vested With Jurisdiction to Grant the Relief Prayed for (Point 2 Above), But Also the District Court Should Grant Such Relief.

In view of its decision that jurisdiction was wholly lacking, the District Court did not consider whether it should exercise jurisdiction and grant relief in this case. Moreover the taking of testimony was interrupted by the court's decision to dismiss. So the Record does not contain all the evidence on which a decision as to whether to exercise jurisdiction should be grounded.

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[25] Oppenheim, *International Law*, 6th ed., sec. 145; Moore, *International Law Digest*, Vol. II, pp. 255, 256; Hyde, *International Law*, 2d Rev'd ed., sec. 240.

[26] Hyde, *Internation Law*, 2d Rev'd ed., sec. 238; *The S. S. Lotus*, Permanent Court of International Justice, Series A, No. 10, 2 Hudson, *World Court Reports*, 23 (1926).

On the basis of the allegations of the complaint, however, it is clear that this is a case in which jurisdiction should be exercised and relief should be granted.

As authorities previously cited show, relief against acts of unfair competition is a common example of the exercise of equity jurisdiction. (See pp. 19-23, 34-35, above.) And the fact that many of the acts of unfair competition in this case occurred outside the territorial jurisdiction of the court need not cause the court to hesitate to exercise its *in personam* jurisdiction.[27]

Indeed, in cases involving facts similar to or virtually identical with those of the present case (discussed at pages 20-23 above), equity courts have held that jurisdiction should be exercised and have granted relief.

> Vacuum Oil Co. v. Eagle Oil Co., 154 F. 867 (C.C.N.J. 1907), aff'd. 162 F. 671 (C.C.A. 3d, 1908), cert. den., 214 U. S. 515 (1909),
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> George W. Luft Co., Inc. v. Zande Cosmetic Co., Inc., 142 F. (2d) 536 (C.C.A. 2d, 1944), cert. den., 323 U. S. 756 (1944),
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> Western Clock Manufacturing Co. v. A. C. Smith, 2 Trade-Mark Reporter 522 (N.Y. Sup. Ct. 1912),
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> Morris v. Altstedter, 93 Misc. 329, 156 N.Y.S. 1103 (1916), aff'd. without opinion, 173 A. D. 932, 158 N.Y.S. 1123 (1916).

Under the circumstances of this case, there is every reason why this controversy between two American citizens should be settled in an American, rather than a Mexican, court. As stated by this Court in *Phelps* v. *McDonald*, 99 U.S. 298, 308 (1879):

> "Conceding the fund to be there [i.e., outside the United States], why should not this question of paramount right be settled in this case, rather than that

[27] See the discussion at pages 15-16 above in connection with *Penn* v. *Lord Baltimore*, 1 Ves. Sen. 444 (1750); and *Kroese* v. *General Steel Castings Corp.*, 179 F. (2d) 760 (C.C.A. 3d, 1950).

the American claimant should be subjected to the delay, expense, and other inconveniences of a suit before a foreign tribunal? The adjudication would be as binding in one case as in the other."

In the present case, the District Court is fully qualified to determine whether petitioners have been engaged in unfair competition. The District Court can frame its decree in such a way as to avoid any conflict with Mexican law.[28] Since the District Court has personal jurisdiction of petitioners, it can make its decree effective.

The advantages of less expense, use of a common language of both parties, and resort to a type of legal procedure with which both parties are familiar, among other considerations, all point to the desirability of exercise of jurisdiction and granting of relief by the District Court.

4. The Cases Cited by Petitioners Do Not Contravene the Existence of Jurisdiction of the United States or of the District Court in the Case at Bar.

The various arguments set forth in the brief of petitioners have already been met above herein. We turn now to the particular cases cited or quoted by petitioners in support of their position.

Marshall v. *Turnbull*, 34 F. 827 (C.C. E. D. N. Y., 1888), cited in petitioners' brief at page 11, did not hold that jurisdiction was lacking. On the contrary, the court there had already found the existence of jurisdiction in *Marshall* v. *Turnbull*, 32 F. 124 (C.C. E. D. N. Y., 1887). In the subsequent decision, the court simply refused to exercise jurisdiction on the ground that plaintiff had failed to make out an equitable basis for injunctive relief. In that case, plaintiff failed to substantiate the grounds presented in the earlier hearing and instead based his claim on the sole

[28] See decision of Supreme Court of Mexico, Appendix III hereto, summarized at p. 6, n. 4 above: *Cf.* decree in "*Big Ben*" case, reproduced in Appendix II hereto.

ground that the actions of the Venezuelan government were void. In the instant case, respondent does not contend that any action of the Mexican government was illegal or void.

Ingenohl v. *Olsen & Co.*, 273 U.S. 541 (1927), is cited at page 13 of petitioners' brief, but the doctrine of the case is misapplied by petitioners. In that case, the Alien Property Custodian transferred a trade-mark which he had seized in the United States. A similar trade-mark had been registered by an English affiliated company under English law in Hong Kong. The case merely held that the Alien Property Custodian had only seized the American rights and could not convey the English rights to the trade-mark as well as the American rights, because Congress could not give him powers to seize property in Hong Kong. That is a far cry from saying that a United States court can not decree that an American citizen (Steele) who, by fraudulent means, obtained registration in a foreign country, of an American trade-mark belonging to another American (Bulova Watch Company) shall not use that trade-mark because he (Steele) is in violation of United States law when he uses such trade-mark.

The *Ingenohl* case and *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403 (1916), cited at page 14 of petitioners' brief, appear to be relied on by them to establish that respondent's trade-mark, as registered in the United States, has no validity in Mexico. Whether or not this is a correct interpretation of the holdings in those cases, they were decided before the Lanham Trade-Mark Act of 1946 was passed. As indicated in the argument at pages 35ff. above, the clear intention of Congress to provide protection beyond the borders of the United States for trade-marks registered under the Lanham Act would obviously qualify any such interpretation of these two decisions.

The quotation from *The Schooner Exchange* v. *M'Faddon*, 7 Cranch 116, 136 (1812), at page 15 of petitioner's brief, to the effect that the sovereign has exclusive jurisdiction within its territory, obviously must be interpreted

in the light of the well established doctrine that a sovereign can exercise jurisdiction, under certain circumstances, beyond its own territorial limits, and within the territorial jurisdiction of another sovereign, *e.g.*, in the case of its citizens abroad. *Blackmer* v. *United States*, 284 U. S. 421 (1932). In the light of this and other well established examples of such exercise of jurisdiction already discussed above at pages 26-34, it is clear that the *M'Faddon* case must not be considered as excluding the jurisdiction of the United States to grant relief in the present case against petitioners' acts in Mexico.

American Banana Co. v. *United Fruit Co.*, 213 U. S. 347 (1909) cited at page 15 of petitioners' brief, as indicated at pages 38-39 above, is to be regarded merely as establishing a presumptive rule of statutory construction to the effect that a statute is to be construed to apply only within the territorial jurisdiction "unless the contrary intent appears." See *Blackmer* v. *United States*, 284 U. S. 421, 437 (1932). The presumption can be rebutted by an indication or inference of a contrary legislative intent,[29] such as is clear with reference to the scope of the Lanham Act in the present case. In addition, the *Banana* case is clearly distinguishable from the present case in that the acts complained of in the former case were effected by affirmative action of Costa Rican troops—an exercise of sovereignty with which this Court was naturally loath to interfere (see 213 U. S. at pp. 357-358).

The case of *Brown* v. *Duchesne*, 19 How. 183 (1857), cited at page 16 of petitioners' brief, involved an interpretation of the patent laws. While the patent laws are understood to apply only within the territorial jurisdiction, and, according to *Brown* v. *Duchesne*, may not be applicable to all cases within the territorial jurisdiction, the scope of their application has no bearing on the scope of protection which will be afforded against trade-mark infringement and other unfair competition.

[29] *United States* v. *Bowman*, 260 U. S. 94 (1922).

In discussing the application of the Lanham Trade-Mark Act, petitioners cite *Cuba Railroad Co.* v. *Crosby*, 222 U.S. 473 (1912), at page 16 of their brief, apparently in an effort to establish that Mexico can not be presumed to have a law like the Lanham Trade-Mark Act. However, respondent in this case is not relying upon a Mexican "Lanham Act" as a basis for protection against trade-mark infringement by petitioners. Respondent contends that it is the Lanham Trade-Mark Act of the United States that applies to petitioners' acts of infringement, in addition to the other bases of jurisdiction that exist in the present case.

The quotation from *Sandberg* v. *McDonald*, 248 U.S. 185 (1918), appearing on page 18 of petitioners' brief, in great measure confirms respondent's discussion of the case of *American Banana Co.* v. *United Fruit Co.*, *supra*, at pages 38-39 above, as does also the quotation from *Blackmer* v. *United States*, 284 U.S. 421 (1932), on page 19 of petitioners' brief.

In discussing *Sandberg* v. *McDonald*, *supra*, *Blackmer* v. *United States*, *supra*, and *United States* v. *Bowman*, 260 U.S. 94 (1922), cited at page 19 of petitioners' brief, petitioners argue that the presumption of territorial application has not been rebutted in the case of the Lanham Trade-Mark Act. This question is covered at pages 35-40 above, and it is unecessary to repeat the argument appearing there.

The case of *Dowagiac Manufacturing Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915), cited at page 22 of petitioners' brief, only reaffirms the principle stated in *Brown* v. *Duchesne*, *supra*, that the application of the patent laws is confined to the territorial jurisdiction. It is not relevant to a trade-mark and unfair competition case. Moreover, the Court in the *Dowagiac* case emphasized the fact that the patent infringement by defendants was apparently an unintentional infringement. 235 U.S. at 644. This fact obviously distinguishes the *Dowagiac* case from the case at bar, in which the misappropriation of

respondent's trade-mark and good-will by petitioners was deliberate and calculated.

The quotation from *Slater* v. *Mexican National Railroad Co.*, 194 U.S. 120 (1904), at page 24 of petitioners' brief, is relevant only to the question whether the District Court should exercise jurisdiction, and not to the question whether jurisdiction exists. As pointed out above at page 14, this question is not before this Court, but convincing reasons exist, as set forth at pages 40-42 above, for a decision by the District Court that the jurisdiction should be exercised.

CONCLUSION

For the reasons set forth above, the decision of the Court of Appeals should be affirmed.

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APPENDIX I

STATUTES INVOLVED

(1) 28 U.S.C. Sec. 1332:

"Sec. 1332. Diversity of citizenship; amount in controversy.

"(a) The district courts shall have original jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of $3,000 exclusive of interest and costs, and is between:

"(1) Citizens of different States: * * *"

(2) 28 U.S.C. Sec. 1338:

"Sec. 1338. Patents, copyrights, trade-marks, and unfair competition.

"(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

"(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws."

(3) The Lanham Trade-Mark Act of 1946 (60 Stat. 427, 15 U.S.C. Secs. 1051-1127):

"Sec. 32. (1) Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements in-

tended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this Act, except that under subsection (b) of this section the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers." (15 U.S.C. sec. 1114).

* * * * * * *

"Sec. 34. The several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may decree reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent Office." (15 U.S.C. sec. 1116).

* * * * * * *

"Sec. 45. In the construction of this Act, unless the contrary is plainly apparent from the context—

* * * * * * *

"The word 'commerce' means all commerce which may lawfully be regulated by Congress.

* * * * * * *

"The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations." (15 U.S.C. sec. 1127).

APPENDIX II

Full text of 2 Trade-Mark Reporter 522-523, including editorial comment appearing with the report (editorial comment from the Trade-Mark Reporter, page 523, appears at page 51, below):

WESTERN CLOCK MFG. CO. v. A. C. SMITH

Special Term, New York County, September 30, 1912.
Trade-Mark—Fraudulent Registration Abroad.

Defendant, who had fraudulently registered in Mexico the trade-mark of the plaintiff, required to assign the registration to the plaintiff or to execute a consent to its cancellation.

In Equity. On final hearing.

The defendant, a resident of Mexico City, had fraudulently registered there the trade-mark of the plaintiff. Personal service was obtained upon him in New York in a suit in equity to compel him to relinquish his rights therein.

King & Booth for plaintiff.

After the taking of proofs, final judgment was awarded in favor of the plaintiff, by Mr. Justice Goff, as follows:

Ordered, adjudged and decreed that the defendant, Alfred C. Smith, in procuring the registration in his own name, and for his exclusive use in the bureau of patents and trade-marks in the republic of Mexico of the trade-mark words "Big Ben" as applied to clocks and timepieces and in procuring the issue to himself of certificate, number eleven thousand one hundred forty-five (11,145) of said bureau of patents and trade-marks, dated the 22nd day of April, 1911, has acted in fraud and in violation of plaintiff's rights in and to the use of the said trade-mark words "Big Ben" as applied to clocks and timepieces in the republic of Mexico and elsewhere, and

Ordered, adjudged and decreed that the defendant, his agents, servants and employees be, and they are perpetually enjoined and restrained from claiming to be the

owner of the trade-mark words "Big Ben" and from claiming any rights thereto under and by virtue of the said registration thereof by the said defendant in the republic of Mexico, or under or by virtue of the said certificate No. 11,145, issued by the bureau of patents and trade-marks to the said Alfred C. Smith, as aforesaid, and from in any way interfering with the plaintiff's trade or the sale of clocks or timepieces manufactured by plaintiff and sold in the republic of Mexico or elsewhere by plaintiff or other persons or corporations to whom plaintiff has sold its clock or timepieces, and

Ordered, adjudged and decreed that the defendant, Alfred C. Smith, forthwith assign and transfer, by proper instrument in writing, to this plaintiff, Western Clock Manufacturing Company, all right and interest in and to the registration of the trade-mark words "Big Ben" protecting clocks, number eleven thousand one hundred forty-five (11,415), the certificate for which registration was issued to the said defendant, Alfred C. Smith, by the bureau of patents and trade-marks in the republic of Mexico on the 22nd day of April, 1911, or, in the alternative, said defendant, Alfred C. Smith, is ordered and directed to forthwith execute and deliver to the said plaintiff, Western Clock Manufacturing Company, a petition in proper form to the director of the bureau of patents and trade-marks in the republic of Mexico for the cancellation of the said registration in the name of the said defendant, Alfred C. Smith, of the said trade-mark words, "Big Ben", or to execute and deliver to this plaintiff, Western Clock Manufacturing Company, such other proper instrument or instruments in writing, directed to the proper authorities in the republic of Mexico, as may be necessary and proper to enable the said plaintiff to procure the cancellation of the said trade-mark numbered 11,145 to protect clocks and now standing in the name of the defendant, Alfred C. Smith, and

Ordered, adjudged and decreed that the plaintiff recover judgment against the defendant for the costs of this action to be taxed by the clerk, amounting to $97 10/100, and that the plaintiff have execution therefor.

ENTER.

J. W. G.
Justice of the Supreme Court

[The extraordinary interest attaching to this case as a novel and effective means of dealing with the piracy of American trade-marks in foreign markets, leads us to depart from our usual rule to report only court decisions and, in the absence of any formal decisions, to print in full the final decree in this suit. It should be a precedent of value to many attorneys who have found themselves at a loss how to act in the like situation.]